CHAPTER 7: UNDERWRITING THE LOAN

SECTION 1: OVERVIEW OF THE UNDERWRITING PROCESS

7.1 INTRODUCTION

The underwriting process brings together the applicant eligibility requirements discussed in Chapter 4 and the property requirements discussed in Chapter 5 with the loan and subsidy requirements that are discussed in detail in this chapter. By putting all of this information together, the Loan Originator can determine the applicant's repayment ability, whether a loan can be approved, and the amount of the loan. This chapter is structured as follows:

- Section 1 reviews the concept of underwriting;
- Section 2 describes loan terms and requirements;
- Section 3 provides policies and procedures for determining whether the applicant is eligible for payment subsidy and the amount of the subsidy;
- Section 4 provides policies and procedures for processing *Form RD 1944-59, Certificate of Eligibility*; and
- Section 5 provides policies and procedures for underwriting a loan for a specific property and preparing the loan approval recommendation.

7.2 WHAT IS UNDERWRITING?

Through the underwriting process, the Loan Originator evaluates an applicant's circumstances and the condition and value of the property to determine whether making a particular loan is a prudent use of funds. Exhibit 7-1 summarizes key underwriting decisions.

Underwriting has both objective and subjective elements. For example, income eligibility is an objective factor -- if the applicant's income exceeds program income limits, the applicant cannot receive a program loan. On the other hand, analyzing an applicant's credit history and estimating the value of the property both involve some degree of judgment. The underwriter's challenge is to make both objective and subjective decisions in a fair and impartial manner for all applicants.

The Agency's underwriting standards and procedures are similar in many respects to those used by private lenders. However, because the Agency's mission, in part, is to serve home buyers who are unable to obtain private credit, the underwriting process differs in 3 key respects:

- The Agency's criteria for an acceptable credit history are somewhat less stringent than those used by private lenders;
- Agency loan-to-value requirements enable many applicants to become homeowners with little or no down payment; and
- In most circumstances, the Agency has the ability to offer subsidies that enhance an applicant's ability to repay the loan.

Exhibit 7-1

Key Underwriting Decisions

Does the Applicant Meet Program Requirements?

The applicant must:

- Have the legal capacity to enter into a loan agreement;
- Have the financial resources to repay the loan;
- Have an acceptable credit history; and
- Meet the specific requirements for participation in the program, such as eligibility based on income and citizenship status.

Does the Property Meet Program Requirements?

The property must:

- Meet Agency standards regarding location and housing quality;
- Not have legal hindrances to the borrower's ownership of the property; and
- Have sufficient value to protect the Agency's financial investment in the property.

Does "The Deal" Work?

- Can the Agency offer loan terms and conditions that enable the applicant to afford the loan?
- Is the applicant willing and able to meet the terms and conditions the Agency can offer?

7.3 USING UNIFI TO FACILITATE UNDERWRITING

UniFi automatically completes most of the underwriting calculations discussed in this chapter. However, the Loan Originator must understand how the calculations are made, in order to enter the correct information into the system and, more importantly, to be able to explain the results to applicants.

(This page was intentionally left blank.)

SECTION 2: LOAN TERMS AND REQUIREMENTS

7.4 ELIGIBLE LOAN PURPOSES AND USES *[7 CFR 3550.52]*

The Section 502 program is intended to help those who do not currently own adequate housing buy, build, relocate, rehabilitate, or improve a property to use as a permanent residence. All improvements must be on land that, after closing, is part of the security property. Eligible costs are listed below.

A. Site-Related Costs

Eligible site-related costs include:

- Providing a minimum adequate site, as described in Section 1 of Chapter 5, if the applicant does not already own an adequate site;

- Providing adequate utilities, including adequate and safe water supply and wastewater disposal facilities; and reasonable connection fees, assessments, or the pro rata installment costs for utilities such as water, sewer, electricity and gas; and

- Site preparation, including grading, foundation plantings, seeding or sodding, trees, walks, yard fences, and driveways.

B. Dwelling-Related Costs

In addition to costs for acquisition, construction, repairs, or the cost of relocating a dwelling, eligible dwelling-related costs include:

- Special design features or equipment necessary because of a physical disability of a member of the applicant's household;

- Approved energy saving materials, equipment, or construction methods (heating systems must use a type of fuel that is commonly used, economical, and dependably available);

- Storm cellars and similar protective structures; and

- Purchase and installation of essential equipment including range, refrigerator, clothes washer and/or dryer, if these items are normally sold with dwellings in the area, and if the purchase of these items is not the primary purpose of the loan.

C. Fees and Related Costs

Other eligible costs include:

- Legal fees; architectural and engineering services; costs of title clearance and loan closing services; the Agency-approved appraisal fee; surveying, environmental and tax service services; personal liability insurance fees under Mutual Self-Help Housing; and other incidental expenses approved by the Loan Approval Official (commissions, finders' fees and placement fees are ***not*** eligible costs);

- The buyer's portion of real estate taxes that the applicant must pay at the time of closing including delinquent taxes on a property owned by the applicant;

- Real estate taxes that become due during the construction period on houses to be built;

- The borrower's share of Social Security taxes and similar taxes for labor hired by the borrower in connection with making the planned improvements;

- Establishment of escrow accounts, including the initial escrow deposit, for the payment of taxes and property insurance premiums;

- Payment of recapture amounts deferred by a former borrower;

- Costs associated with implementation of mitigation measures to ensure environmental compliance;

- For leveraged loans, lender charges and reasonable fees related to obtaining the non-Agency loan; and

- Fees to public agencies and private nonprofit organizations that are tax exempt under the Internal Revenue Code of 1986 for loan packaging. The charges must be reasonable considering the services provided and the cost of similar services in the same or a similar rural area. The fee cannot exceed the amount approved by the Agency in Exhibit B of RD Instruction 1944-B. A fee can be paid only if the development and packaging of the loan application has been done in accordance with Attachment 3-A, and cannot be paid for loans related to the purchase of REO property, to Mutual Self-Help Housing grantees, or to recipients of Housing Application Packaging Grants.

D. Loan Restrictions *[7 CFR 3550.52(e)]*

Agency loans cannot be used to finance properties that include in-ground swimming pools. It is not acceptable to remove a pool before or after closing to meet this requirement.

Agency funds cannot be used to purchase or improve structures designed for income-producing purposes or income-producing land. Home-based operations such as child care, product sales, or craft production that do not require specific features are not restricted.

7.5 REFINANCING

In general, Agency funds should not be used to refinance existing debt and are ***never*** to be used to refinance existing Agency debt when a property is sold to a new Agency borrower. In such cases, an assumption on new rates and terms transfers the debt to the new owner. However, refinancing is permitted in limited circumstances.

A. Refinancing Agency Debt *[7 CFR 3550.52(c)]*

Borrowers with Agency loans approved before August 1, 1968 or made on above-moderate or nonprogram terms are not eligible for payment subsidy. Borrowers with these types of loans may be permitted to refinance if the borrower is eligible to receive a program loan, the property is program-eligible, and the borrower is in danger of losing the property due to circumstances beyond the borrower's control.

B. Refinancing Non-Agency Debt *[7 CFR 3550.52(b)]*

1. Situations in Which Refinancing is Permissible

Refinancing of non-Agency debt, except for debt on manufactured homes, is permissible in 3 circumstances.

- **Refinancing for an existing home at risk of foreclosure.** An applicant who owns a home but is clearly unable to continue making payments and is at risk of losing it through foreclosure may be eligible for Agency refinancing if the delinquency is due to circumstances beyond the applicant's control, for example, loss of a job or illness.

- **Refinancing for an existing home in need of repairs.** Debt on an existing home may be refinanced if the home is in need of repairs totaling $5,000 or more to correct major deficiencies and make the dwelling decent, safe, and sanitary; and refinancing is necessary for the borrower to show repayment ability. In such cases the owner need not be at risk of losing the property through foreclosure.

- **Refinancing for a site without a dwelling.** Agency funds may be used to refinance non-Agency debt on a building site without a dwelling if the debt is for the sole purpose of purchasing the site, the applicant is unable to pay the debt, and the applicant is otherwise unable to acquire decent, safe, and sanitary housing. The site must meet the conditions described in Section 1 of Chapter 5. The Agency loan must include adequate funds to construct a dwelling on the site that conforms to the requirements of Section 2 of Chapter 5, and the applicant must occupy the property once it is constructed.

In any of these circumstances, a non-Agency loan can be refinanced only if the Agency will have adequate security.

2. Eligible Debt

In general, Agency funds can be used to refinance only debt that was incurred for eligible purposes, as described in Paragraph 7.4. For applicants who are in danger of foreclosure, Agency funds also may be used to repay a protective advance made by a mortgagee for costs related to the delinquency, such as accrued interest, insurance premiums, real estate tax advances, or preliminary foreclosure costs.

The primary debt to be refinanced must be secured with a lien against the security property and must have been made at rates and terms that were customary for long-term residential financing in the area at the time the debt was incurred.

For existing dwellings, but not for sites without a dwelling, short-term or unsecured debts also may be included in the refinancing if refinancing of these debts is necessary to establish a sound repayment ability, the debts were incurred for purposes that are eligible under Section 502, and they do not represent a significant portion of the loan.

3. Timing of the Debt

In general, the debt to be refinanced must have been incurred before the application was filed. Costs incurred after the application date, but before loan closing, may be refinanced if: (1) they are incurred for legal fees or other technical services related to the property, or for materials, construction or site acquisition; (2) the applicant is unable to pay the costs from personal resources or to obtain credit from other sources; and (3) failure to authorize the use of Agency funds to pay such costs would jeopardize the applicant's ability to repay the loan. The applicant should consult with the Loan Originator before incurring such expenses.

4. Verification of Debt

To verify that the debt to be refinanced meets these requirements, the Loan Originator must examine a statement from each creditor that shows the purpose for which the debt was incurred, the date on which it was incurred, the final due date, the interest rate, the amount and frequency of installments, the unpaid principal and accrued interest, and the amount of the delinquency, if any.

7.6 SECTION 203(b) MAXIMUM LOAN LIMITATION *[7 CFR 3550.63]*

Unless an exception is granted, a loan may not exceed the limits established by section 203(b) of the National Housing Act. The State Director may make an exception to the extent necessary to cover the Agency-approved appraisal fee, the tax service fee, and any required contribution to an escrow account for taxes and insurance. Appendix 10 contains the current section 203(b) limits.

The State Director, or designee, is responsible for monitoring the number and dollar amount of the exceptions made under the following paragraphs. A log similar to Attachment 7-B will be maintained on a fiscal year basis. At a minimum, the log will capture the dollar amount that exceeds the section 203(b) limit and whether the amount is due to allowable closing costs or the cost of acquisition or construction.

Effects of the Section 203(b) Limits

Cost of the Property. The cost of the property including the combined costs paid for by the Agency loan, loans from other sources, or the applicant's own funds, and the value of a site already owned by the applicant, cannot exceed the section 203(b) limit.

Maximum Loan Amount. The loan an applicant receives must not exceed the section 203(b) limit, unless the applicant chooses to finance the appraisal fee, tax service fee, or the initial contribution to fund the escrow account, in which case the loan can exceed the section 203(b) limit by the cost of these items and with the approval of the State Director.

A. Area-Wide Exceptions to the Loan Limits

Area-wide exceptions may be granted when the section 203(b) limit is not sufficient to provide adequate modest housing for applicants, or is different in adjacent areas of the same community. Requests for area-wide exceptions may be approved by the State Director if the limit is to be increased by $10,000 or less. Larger increases must be approved by the Deputy Administrator, Single Family Housing. Requests for area-wide exceptions must be accompanied by evidence that the Field Office is working with the appropriate Department of Housing and Urban Development (HUD) Office to increase the section 203(b) limit, and must be supported by a market analysis that demonstrates the need for the exception.

The market analysis must provide information on all single family properties sold in the area during the past month. The data should be sorted by sales price, from lowest to highest, with each sale numbered. If fewer than 150 homes were sold during that period, information on single-family homes sold during the past 2 months must be submitted. Only arm's-length transactions should be considered. Paper transactions, distressed sales, foreclosure sales, lot sales, and refinancings must not be included. Exhibit 7-2 indicates the information that must be included in the market analysis.

Exhibit 7-2

Contents of Market Analysis

- A copy of the Metropolitan Statistical Area (MSA) listing or other information that provides the characteristics of the dwelling, plus a recent photograph of the home if one is available;
- The address of the property;
- The month and year of the sale;
- The sales price;
- Whether the property was an existing home or new construction; and
- Any conditions of sale that are not considered customary to convey title.

B. Individual Exceptions to the Loan Limits

Individual exceptions may be granted to accommodate the specific needs of an applicant, for example, to serve exceptionally large households or to provide reasonable accommodations for a household member with a disability. The exception can be granted by the State Director if the limit is to be increased by $10,000 or less, and by the Deputy Administrator, Single Family Housing if the increase is larger than $10,000. To request the exception, the Loan Originator must document the need for the exception, and justify the amount of the exception.

For a large household, the Loan Originator must provide a market analysis that shows typical costs for the type and size of dwelling that is required to meet the needs of the household. For accommodations for household members with disabilities, the Loan Originator must provide the cost of accommodations and a market analysis that demonstrates that these costs cannot be accommodated within the section 203(b) limits.

If approval is granted, the Loan Originator should follow UniFi procedures to override the maximum mortgage limits.

Individual exceptions also can be granted for subsequent loans that exceed the section 203(b) limits if necessary to protect the Government's interests. The State Director can authorize subsequent loans that exceed the section 203(b) limits to accommodate the cost of necessary repairs, reasonable closing costs, and allowable excess costs (including the appraisal fee, tax service fee, and initial deposit to fund the escrow account), without authorization from the Deputy Administrator, Single Family Housing, even if the increase exceeds $10,000.

7.7 LOAN-TO-VALUE (LTV) RATIO *[7 CFR 3550.63(b)]*

The LTV ratio is the relationship between the amount to be financed, including all leveraged loans and grants, and the market value of the security property. The value of the property is determined using the appraisal procedures described in Section 5 of Chapter 5. A loan may exceed the LTV limitations discussed in Paragraphs 7.7 A. and B. to allow the borrower to finance certain allowable excess costs. For any Agency loan, the amount that can be financed in excess of the allowable LTV includes the Agency-approved appraisal fee, the tax service fee, and the initial contribution to the escrow account.

Allowable Excess Costs

- Appraisal fee
- Tax service fee
- Initial contribution to escrow

A. Loans for Existing Dwellings (100% LTV)

For existing dwellings, the LTV limitation for a Section 502 loan, plus any other liens on the security property, is 100 percent of value plus allowable excess costs.

B. Loans for New Dwellings (90-100% LTV)

For loans on new dwellings, the permitted LTV ratio depends upon whether the applicant provides documentation that the construction quality is acceptable to the Agency. If construction that meets the Agency standards can be documented, the LTV limitation is 100 percent of value plus allowable excess costs.

If construction quality is not adequately documented, loans for new dwellings are limited to 90 percent of the market value plus allowable excess costs.

Example - Maximum Loan Based on Loan to Value Ratios

$50,000	Appraised Value
$51,740	Total Costs Including:
$49,500	Purchase Price
$ 340	Appraisal and Tax servicing
$ 1,500	Closing Costs
$ 400	Costs to Establish Escrow

If the allowable LTV is 100%, the maximum loan is $50,740 (the appraised value plus allowable excess costs). $1,000 of the closing costs must be paid by the borrower in cash.

If the allowable LTV is 90%, the maximum loan is $45,740 (90% of the appraised value plus allowable excess costs). $6,000 must be paid by the borrower in cash.

The following are acceptable documentation of construction quality.

- The Agency has issued a conditional commitment and inspected the property, as described in Section 1 of Chapter 9.
- The dwelling is covered by an approved 10-year warranty plan, as described in RD Instruction 1924-A, and there is a certificate of occupancy when issued by the local governing agency.

- The loan will be closed prior to the start of construction so that the Agency can monitor the construction following the procedures described in Section 6 of Chapter 5.
- The new dwelling is a manufactured home that meets the requirements set forth in Section 3 of Chapter 9.
- Applicant provide a complete set of plans and specifications and, to demonstrate that the construction was properly inspected, copies of all construction-phase reports prepared by a licensed construction inspector. In the case of properties inspected by the Federal Housing Administration (FHA) or Veterans Affairs (VA), a certification that the dwelling was built in accordance with approved plans and specification may be submitted in lieu of construction-phase reports.

C. Subsequent Loans for Necessary Repairs

If necessary to protect the Government's security interest, the Agency may make a subsequent loan that causes the total indebtedness to exceed the market value of the property and/or the section 203(b) limit. The excess amount cannot exceed the cost of the necessary repairs, reasonable closing costs, and allowable excess costs. The Loan Originator should review the status of the borrower's account in FASTeller and coordinate with the Centralized Servicing Center (CSC) as necessary.

D. Subsequent Loans for Closing Costs Only

When the Agency makes a subsequent loan to a program borrower for closing costs only at the time of the sale of an REO property or a property transfer and assumption, total indebtedness may exceed the market value and/or the section 203(b) limit by up to 1 percent, plus allowable excess costs.

E. Refinanced Loan for Existing Agency Borrower

When the Agency refinances an existing Agency loan, the loan may exceed the market value of the property and/or the section 203(b) limit only as necessary to cover the borrower's outstanding indebtedness, closing costs associated with the new loan, and allowable excess costs.

7.8 REPAYMENT PERIODS *[7 CFR 3550.67]*

Loans must be scheduled for repayment over a period that does not exceed the useful life of the property. The standard maximum loan term for most Section 502 loans is 33 years.

A. Exceptions to the Standard 33-Year Maximum Term

Repayment may be scheduled over a 38-year term for:

- Initial loans, or subsequent loans made in conjunction with an assumption, if the applicant's adjusted income does not exceed 60 percent of the applicable area median income and the longer term is necessary to show repayment ability; and

- Subsequent loans ***not*** made in conjunction with an assumption, if the borrower's initial loan was for a period of 38 years, the borrower's adjusted income at the time the subsequent loan is approved does not exceed 60 percent of the applicable area median income, and the longer term is necessary to show repayment ability.

The repayment period is limited to a maximum of 10 years for loans of $2,500 or less. Manufactured homes are eligible for a maximum loan term of 30 years.

B. Effect of Repayment Period on Payment Subsidy

Loans may be approved for less than the maximum period. However, before approving a loan with a payment term that is less than the maximum period, the Loan Originator should consider the effect this may have on any payment subsidy for which the applicant may be eligible. Because a shorter loan term could require the Agency to contribute a higher payment subsidy, an applicant with an initial loan term of less than 25 years cannot obtain payment subsidy. An applicant may receive payment subsidy on a secured subsequent loan with a term of less than 25 years if the initial loan had a term of 25 years or more. Section 3 of this chapter provides additional information about payment subsidies.

7.9 INTEREST RATES *[7 CFR 3550.66]*

A. Note Rates

The note rate is the interest rate shown in the promissory note. Exhibit B of RD Instruction 440.1 provides current interest rates for program and nonprogram loans. For program loans, the note rate used for the promissory note must be the lower of the Rural Housing (RH) 502 low or moderate interest rates in effect at loan approval or loan closing. For nonprogram loans, the nonprogram rate in effect at loan approval must be used for the promissory note.

B. Equivalent Interest Rates

As described in Section 3, borrowers who qualify may receive payment subsidies based upon a lower interest rate, called the equivalent interest rate (EIR). The EIR does not affect the promissory note. Instead, a separate agreement is executed annually (or more often if the subsidy amount changes) to document the amount of payment subsidy provided.

Example - Effect of Interest Rate and Repayment Period on Monthly Payments

Loan Amount	Loan Term	Monthly Payment
$50,000 @ 7%	33 years	$324.05
$50,000 @ 7%	38 years	$313.79
$50,000 @ 1%	33 years	$148.29
$50,000 @ 1%	38 years	$131.84

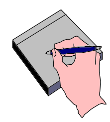
7.10 USE OF ASSETS *[7 CFR 3550.64]*

A. Asset Limits

Applicants with assets in excess of established limits must use those assets for a down payment or other costs associated with the purchase of the property. Section 2 of Chapter 4 discusses assets in detail. Applicants may choose to use assets that fall below the established limits toward the purchase, even though they are not required to do so.

- Nonelderly applicants must use nonretirement assets in excess of $7,500 toward the purchase of the property.
- Elderly applicants must use nonretirement assets in excess of $10,000 toward the purchase of the property.
- All applicants must use retirement assets in excess of the applicable adjusted median income limit toward the purchase of the property.

B. Exception to the Asset Limits



In cases in which the family is experiencing unreimbursed medical expenses in excess of 3 percent of annual income, the Loan Approval official may increase the applicable asset limit by the amount of the medical expenses in excess of 3 percent of annual income. The reasons for the waiver must be documented carefully.

C. Eligible Uses of Assets

Eligible uses for excess assets or assets the applicant has elected to contribute include making payments to:

- Reduce the principal balance;
- Pay architectural, engineering, inspection, or testing fees related to new construction or repairs;
- Establish the escrow account for taxes and insurance; and
- Pay closing costs and related fees.

D. Ineligible Uses of Assets

Excess assets or assets the applicant has elected to contribute cannot be used for purposes that are unrelated to the purchase of the property or to prepay taxes. Since the section 203(b) limits cap both the cost of the property and the loan amount, excess assets cannot be used to pay down a principal amount that exceeds those limits in order to bring the loan amount below the section 203(b) limit.

SECTION 3: PAYMENT SUBSIDIES *[7 CFR 3550.68]*

7.11 AN OVERVIEW OF PAYMENT SUBSIDIES

The Agency uses payment subsidies to enhance an applicant's repayment ability for Section 502 loans. UniFi calculates the applicant's payment subsidy. The sample calculations provided in this section are intended to help the Loan Originator understand how the calculation works so that it can be explained to the applicant.

A. Two Types of Subsidy

1. Interest Credit

A borrower who initially received subsidy in the form of interest credit can continue to do so as long as the borrower remains eligible and continuously receives interest credit assistance. Subsequent loans to these borrowers should be subsidized with interest credit. Paragraph 7.13 describes the method for calculating subsidies using the interest credit method.

2. Payment Assistance

All other eligible applicants will receive payment assistance. This includes: applicants who receive new initial loans; borrowers obtaining subsequent loans who qualify for payment subsidy, but who are not currently receiving interest credit; and applicants who assume loans under new rates and terms. Borrowers who cease to receive interest credit will receive payment assistance if they subsequently begin to receive payment subsidies. Paragraph 7.12 describes the method for calculating payment assistance.

B. Applicant Eligibility

1. Income Eligibility

Applicants who obtain loans on nonprogram terms are not eligible for payment subsidies. To be eligible for an initial loan at the time of origination, an applicant must be income-eligible for the Section 502 loan -- that is, have adjusted income that does not exceed the applicable low-income limit at the time of loan approval and the applicable moderate-income limit at the time of loan closing. Initial approval of payment assistance for borrowers who become eligible after loan closing is the responsibility of CSC.

A borrower who is receiving payment assistance can continue to receive it, even if their income exceeds the moderate income limit, as long as their EIR does not exceed the note rate.

2. Occupancy Requirement

To be eligible to receive a payment subsidy, the applicant must personally occupy the dwelling, unless during the term of the loan the Agency determines that the dwelling is uninhabitable or that the borrower may be absent temporarily from the property for reasons acceptable to the Agency, such as seasonal or migratory employment, military call-ups, or hospitalization.

C. Loan Requirements

1. Loan Term

For an applicant to be eligible for a payment subsidy, initial loans and subsequent loans made in conjunction with a new rates and terms assumption must have a term of at least 25 years. Borrowers can receive a payment subsidy for a subsequent loan ***not*** made in conjunction with an assumption with a term of less than 25 years, if the initial loan had a term of at least 25 years.

2. Type of Loan

To receive payment subsidy, the loan must be made on program terms and must be secured by a mortgage on the property.

3. Pre-August 1, 1968 Loans

Payment subsidies are not available for loans that closed prior to August 1, 1968, even if the loan is assumed on new rates and terms after that date. Borrowers whose loans were made with funds provided prior to August 1, 1968, may be eligible to refinance the loan in order to receive payment assistance, as described in Paragraph 7.5 A.

D. Annual and Interim Reviews

In general, borrower income must be reviewed annually to determine whether the borrower is eligible to continue to receive payment subsidies. Annual and interim reviews of borrowers receiving payment subsidies are the responsibility of CSC. Borrowers who receive payment subsidies must notify the Agency if any adult household member changes or obtains employment, the household composition changes, or if income increases by more than 10 percent. Borrowers may report other changes that would result in increased payment subsidies. The review period may be different in certain circumstances.

1. Self-Employed Applicants

For a self-employed applicant, the initial payment assistance agreement will run from the effective date to 3 months after the end of the applicant's business fiscal year, but not more than a 12-month period. This will allow subsequent agreements to coincide with the applicant's business fiscal year, with a 3-month overlap, to provide sufficient time for the applicant to supply verification of the previous year's income.

2. Unemployed Applicants

For an applicant receiving unemployment benefits, the agreement will be effective for the period during which the applicant will receive unemployment benefits, or, if the period is unknown, no longer than 6 months. The expiration date of the agreement will be established by the Loan Originator.

3. Annual Payment Borrowers

For an applicant currently paying an annual installment who receives a subsequent loan, the initial payment assistance agreement, including the subsequent loan, will be in effect until the next January 1st.

E. Recapture Requirement

Borrowers are required to repay all or a portion of the payment subsidy received over the life of the loan when the title to the property transfers, or the borrower ceases to meet the occupancy requirement described in Paragraph 7.11 B.2. At the time of loan closing, or whenever the borrower qualifies for payment subsidy for the first time, the borrower must sign *Form RD 3550-12, Subsidy Repayment Agreement*.

7.12 CALCULATING PAYMENT ASSISTANCE

A. Required Borrower Payment

The amount of payment assistance granted is the difference between the installment due at the promissory note rate and the amount the applicant must pay based upon income. Borrowers receiving payment assistance must pay the ***greater of***:

- A floor payment calculated as a percentage of adjusted income, less the cost of taxes and insurance; or

- The loan payment amortized at the applicable EIR.

Borrowers who receive leveraged loans are not subject to floor payments. Exhibit 7-3 provides a sample payment assistance calculation.

B. Establishing the Floor Payment

The floor payment is a minimum percentage of adjusted income that the borrower must pay for Principal, Interest, Taxes, and Insurance (PITI).

- Very low-income borrowers must pay a minimum of 22 percent.

- Low-income borrowers with adjusted incomes below 65 percent of the applicable adjusted median income must pay a minimum of 24 percent.

Exhibit 7-3

Sample Payment Assistance Calculation

The Jones family, with an adjusted income of $19,000, wishes to receive an initial loan with a principal amount of $60,000.

The following financial information is needed to calculate the payment assistance.

Loan Term: 33 years   Note Rate: 7%   Adjusted Median Income: $30,000

$19,000	Adjusted income
63%	Percent of adjusted median ($19,000 ÷ $30,000)
$90	Monthly taxes and insurance

(1) Calculate the Payment at the Note Rate

$389	Payment at the note rate (amortized amount for $60,000 @ 7% for 33 years)

(2) Calculate the Floor Payment for PI*

24%	Floor payment percentage for applicant @ 63% of median income
$380	Floor payment for PITI* ($19,000 ÷ 12 months x 0.24)
$290	Floor payment for PI* ($380 - $90 for taxes and insurance)

(3) Calculate the Payment at the EIR*

4%	EIR* for applicant at 63% of median
$273	Payment at the EIR (amortized amount for $60,000 @ 4% for 33 years)

(4) Compute Monthly Payment Assistance

$389	Payment at the note rate
-$290	Required payment is the greater of (2) or (3)
$ 99	Monthly payment assistance

* PI = Principal and Interest.
PITI = Principal, Interest, Taxes, and Insurance
EIR = Equivalent Interest Rate

Low-income borrowers with adjusted incomes between 65 and 80 percent of the applicable adjusted median income must pay a minimum of 26 percent.

C. Calculating the Payment at the EIR

The EIR is determined by comparing the applicant's adjusted income to the applicable adjusted median income for the area in which the security property is located. The payment at the EIR is calculated by amortizing the loan using the applicant's loan amount, the term of the loan, and the EIR for which the applicant qualifies. Exhibit 7-4 provides the EIRs to be used.

Exhibit 7-4

Equivalent Interest Rates

Use the equivalent interest rate for the income range applicable to the applicant's adjusted income.

Adjusted Median Income Range	Equivalent Interest Rate*
0%-50%	1.0%
50.01%-55%	2.0%
55.01%-60%	3.0%
60.01%-65%	4.0%
65.01%-70%	5.0%
70.01%-75%	6.0%
75.01%-80%	6.5%
80.01%-90%	7.5%
90.01-100%	8.5%
100.01%-110%	9.0%
110.01%-greater	9.5%

* EIR can never exceed the note rate.

D. Exceptions to the EIR

In rare circumstances, the Administrator may authorize an additional 1 percent reduction in the EIR if all of the following requirements are met:

- The reduced EIR will not be less than 1 percent;
- The security property is in a HUD high-cost area; and
- The applicant will be unable to acquire adequate housing unless the additional subsidy is authorized.

To request an exception, the Loan Originator must prepare a written justification that describes the area's housing costs and the applicant's circumstances, and demonstrates how the exception will permit the applicant to obtain housing. The request is submitted through the State Director.

7.13 CALCULATING INTEREST CREDIT

The amount of interest credit granted is the difference between the installment due at the promissory note rate and the amount the borrower must pay.

Borrowers receiving interest credit must pay the ***greater of***:

- 20 percent of adjusted monthly income, less the cost of taxes and insurance; or
- A loan payment reflecting the loan amount amortized at an interest rate of 1 percent.

Exhibit 7-5 provides a sample interest credit calculation.

Exhibit 7-5

Sample Interest Credit Calculation

The Joneses have received an interest credit subsidy on their initial loan since it was approved and have recently been approved for a subsequent loan to make needed repairs. The terms of the 2 loans are as follows:

	Principal Amount	Payment Period	Note Rate
Initial Loan	$60,000	33 years	7.0%
Subsequent Loan	$15,000	33 years	6.5%

The family's adjusted income is $22,000; monthly taxes and insurance are estimated at $90/month.

(1) Calculate the Annual Payment at the Note Rate

$389	Initial Loan (Amortized amount for $60,000 @ 7% for 33 years)
$ 92	Subsequent Loan ($15,000 @ 6.5% for 33 years)
$481	Total

(2) Calculate the Minimum Payment for Principal and Interest

$367	Minimum amount for PITI* ($22,000 ÷ 12 months x 0.20)
$277	Minimum amount for PI* ($367 - $90)

(3) Calculate the Required Payment at 1 Percent

$222	Monthly payment at the subsidized rate ($75,000 @ 1% for 33 years)

(4) Compute Monthly Interest Credit

$481	Monthly payment at the note rate
-$277	Required payment is the greater of (2) or (3)
$204	Monthly payment assistance

* PI = Principal and Interest
PITI = Principal, Interest, Taxes, and Insurance
EIR = Equivalent Interest Rate

SECTION 4: PROCESSING THE CERTIFICATE OF ELIGIBILITY

7.14 DETERMINING REPAYMENT ABILITY *[7 CFR 3550.53(g)]*

The primary consideration in determining whether an applicant can afford to purchase a home is the applicant's repayment income. Repayment income, as described in Paragraph 4.5, is the amount of income parties to the note will have available to repay the debt.

However, other household expenses and debts and the availability of payment subsidies also greatly affect an applicant's repayment ability. The Agency bases underwriting decisions on an analysis of the percentage of income the applicant would be required to spend on housing costs and the applicant's total debt if the loan is approved. Using these 2 percentages, called ratios, is a standard practice throughout the lending industry. Borrowers must meet the Agency's standards for both ratios.

Maximum Ratios

PITI Ratio	
Very low-income applicants	29%
Other applicants	33%
TD Ratio (all applicants)	41%

A. The PITI Ratio

The PITI ratio compares the amount the applicant must spend on housing costs (including **P**rincipal on the loan, **I**nterest on the loan, real estate **T**axes, and property **I**nsurance) to the applicant's repayment income. Very low-income applicants are considered to have repayment ability if they do not have to pay more than 29 percent of repayment income for PITI expenses. Applicants with incomes above the very low-income limit are considered to have repayment ability if they do not have to pay more than 33 percent of repayment income for PITI expenses.

Example - Calculating PITI Ratios

$360	Principal and Interest payment
$ 60	Taxes
<u>$ 50</u>	<u>Insurance</u>
$470	Total for PITI
$18,000	Annual Repayment Income
$ 1,500	Monthly Repayment Income ($18,000 ÷ 12)

PITI Ratio = $470 ÷ $1,500 = 31.33%

B. The TD Ratio

1. Maximum TD Ratio

The TD ratio compares applicant debt to repayment income. Applicants, regardless of income, are considered to have repayment ability when they do not have to spend more than 41 percent of repayment income on total debt.

2. Establishing TD

Total debt includes PITI, all long-term obligations, and short term-obligations that have a significant impact on repayment ability. The following items should be counted:

- PITI -- Principal, Interest, Taxes, and Insurance;
- Regular assessments, such as homeowner assessments;
- Long-term obligations with more than 6 months repayment remaining, including loans, alimony, and child support;
- Payments that come due in the next 12 months, including deferred loans and balloon payments;
- The minimum monthly payment required for revolving credit card debts; and
- Short-term obligations that are considered to have a significant impact on repayment ability, such as large medical bills and car or other credit payments.

Example - Calculating TD Ratios

$300	Principal and Interest payment
$ 60	Taxes
$ 50	Insurance
$410	PITI Subtotal
$300	Car payment
$100	Payments on credit card debt
$810	Total Debt
$25,000	Annual Repayment Income
$ 2,083	Monthly Repayment Income ($25,000 ÷ 12)

TD Ratio = $810 ÷ $2,083 = 38.89%

Debt from which the applicant has not been released need not be counted if the applicant can demonstrate that another party has assumed responsibility for the debt. For example, if a divorced applicant can show that the former spouse has made the last 12 months of mortgage payments, the mortgage payments on that property need not be counted when establishing total debt.

C. Determining the Maximum Loan Amount

The Loan Originator enters information provided by the applicant about household size, income and debts, and general program information, including the section 203(b) limit and median income for the area. Because a specific dwelling has not yet been identified, estimates can be used for taxes, insurance, and purchase-related costs. Once this information is entered, UniFi:

- Computes the PITI and TD ratios;

- Determines whether the applicant is eligible for payment subsidy, and how much payment subsidy the applicant would receive; and

- Computes the maximum loan amount for which the applicant qualifies, first using standard loan terms and then using any adjusted terms for which the applicant may qualify.

D. Using Market Data to Interpret UniFi Results

Each Field Office should collect and maintain sales information for each market area in its jurisdiction. By comparing the results of an applicant's maximum loan calculation to market data, Loan Originators can provide appropriate counseling for applicants and identify candidates for 100 percent private financing or leveraged loans. MLS and comparable sales data collected through appraisals are valuable sources of market information.

7.15 IDENTIFYING CANDIDATES FOR PRIVATE FINANCING

Very low-income applicants will not be required to seek private financing to leverage an Agency loan. However, the Loan Originator will provide information to these applicants about other sources of subsidized loans or grants.

Unless a low-income applicant's credit history is such that a private lender is unlikely to provide even a leveraged loan, the Loan Originator will use UniFi to calculate the maximum allowable loan the applicant could receive if 80 percent of the loan funds were provided by the Agency at standard rates and terms and 20 percent of the loan funds were provided by a private lender at market rates and terms.

If the resulting maximum loan appears sufficient to enable an applicant to purchase an appropriate home in the market area, the Loan Originator must notify the applicant that a final determination of eligibility cannot be made until the applicant has attempted to obtain private financing for at least 20 percent of the loan. Applicants should be referred to lenders offering rates and terms for which they appear to qualify. Chapter 10 provides additional guidance on processing leveraged loans and Attachment 10-C provides a sample information sheet to help applicants explain the Agency's leveraging requirements to the lender.

7.16 COUNSELING APPLICANTS WITH LOW MAXIMUM LOAN AMOUNTS

If the UniFi-generated maximum loan amount appears too low to enable an applicant to purchase housing that will be acceptable to the Agency, the Loan Originator should consider whether any of the actions and adjustments described in this paragraph could improve the applicant's purchasing ability.

Exhibit 7-6 describes a process for establishing consistent procedures for dealing with applicants eligible for low loan amounts.

Exhibit 7-6

Establishing Procedures for Dealing with Low Loan Amounts

Each Field Office should set a minimum loan amount and consistently advise potential applicants, whose incomes will not support at least that level of loan that homeownership may not be appropriate at this time. There is no "right" cut-off level for a minimum loan amount -- each Field Office should set a level that is clearly less than the cost of a decent, safe, and sanitary dwelling in the area. The Loan Originator should counsel potential applicants who are likely to qualify for less than this amount about ways to change the factors that make homeownership inadvisable, such as reducing debt, or finding ways to increase income.

Counseling potential applicants who are unable to obtain the minimum loan will help prevent those who are clearly not appropriate homeownership candidates from going through the entire application process and paying a credit report fee, only to discover that there is no home available for a price they can afford. However, if, after counseling, a potential applicant who qualifies for an extremely low loan amount wishes to pursue a Section 502 loan, they must be given that opportunity.

A. Using Compensating Factors

Exceptions to the standard method of determining repayment ability may be made if there is information -- called compensating factors -- that indicates the prospective borrower may be able to make larger regular loan payments than the ratio analysis suggests. Some of the compensating factors that can affect the amount of debt an applicant is permitted to take on are discussed below.

1. Payment History

The PITI and TD ratio analyses assume that households are able to contribute a specified percentage of income toward housing costs. However, if an applicant has historically paid a greater share of income for housing with the same income and debt level, a higher payment may be approved. Utility and maintenance costs must be considered as part of this analysis.

2. Savings History

Applicants with accumulated savings and a savings history that shows a capacity to set aside a larger-than-average portion of income may be approved for a higher payment.

Example - Using Savings History As A Compensating Factor

An applicant is currently paying $400 per month in rent and putting $175 per month in a savings account. Utility costs should be similar to those the applicant is currently paying, but maintenance costs will be about $50 per month higher. According to ratios, the applicant's repayment ability is $500 per month. However, since the applicant is currently using a total of $575 per month for a combination of rent and savings, a loan that requires a monthly payment of up to $550 ($575 - $25) may be considered.

3. Job Prospects

If an applicant has recently entered a profession in which they can expect significant pay increases, the Loan Originator may base repayment income on the anticipated future earnings of that applicant.

Similarly, if overtime income is available to increase the applicant's income, the Loan Originator may project the household's income with extra overtime included.

4. Adjustments for Nontaxable Income

The standard PITI and TD ratio limitations are based on an assumption that applicant income is taxable. If a particular source of income is not subject to Federal taxes, for example, certain types of disability payments or military allowances, the amount of continuing tax savings attributable to the nontaxable income source may be added to the applicant's repayment income. Nontaxable income will be multiplied by 120 percent to "gross up" such income. The State Director may approve use of higher percentages if they are justified by the Loan Originator.

Compensating factors must be approved by the State Director. To obtain approval, the Loan Originator must prepare a request that supports the use of compensating factors and the higher amount requested. The Loan Originator should forward the request and case file, through the Loan Approval Official, to the State Director.

Example - "Grossing Up" Nontaxable Income

The applicant's repayment income of $22,000 includes $5,000 of nontaxable income. The revised repayment income for the applicant would be calculated as follows:

$17,000	Taxable Income
+$6,000	"Grossed-up" Nontaxable Income ($5,000 x 1.2)
$23,000	Revised Repayment

B. Adding Additional Parties or Cosigners to the Note

Additional financial resources may be added by adding additional parties to the note or locating cosigners.

1. Additional Parties to the Note

Additional parties to the note must agree to occupy the dwelling and must qualify as borrowers, as described in Chapter 4. Counting the income of the additional parties increases repayment income.

2. Cosigners

Individuals who will not live in the dwelling, but who are willing to be responsible for the debt, may be cosigners to the note. The credit and repayment income of cosigners are evaluated in the same manner as for loan applicants. In order for a cosigner's repayment income to increase the repayment ability of the applicant, the cosigner must demonstrate the willingness and ability to make the full required loan payment within the applicable PITI and TD ratios.

7.17 ISSUING THE CERTIFICATE OF ELIGIBILITY

Eligible applicants who have not yet located properties should be issued *Form RD 1944-59, Certificate of Eligibility*. Applicants who are not seeking leveraged loans should be informed that the certificate is valid for a period of 45 days. Applicants seeking leveraged loans should be informed that the certificate is valid for a period of 60 days. Within that time the applicant must provide sufficient information to enable the Agency to conduct an appraisal of the property to be financed. Up to two 30 day extensions may be granted for applicants who demonstrate that they have been actively looking for a property. If the applicant has already submitted a contract for a property *Form RD 1944-59* will not be issued. If an applicant's sales contract falls through, a new *Form RD 1944-59*, good for 45 days or 60 days, as applicable, should be issued.

(This page was intentionally left blank.)

SECTION 5: UNDERWRITING A LOAN FOR A SPECIFIC PROPERTY

7.18 APPROVING A SPECIFIC PROPERTY

A. Applicant Submission

Underwriting for a specific property begins when the applicant submits information about the property.

- Applicants who do not currently own the property must submit an option or sales contract and a location map with directions to the property. The sales contract must specify whether the purchaser or seller will be paying for the inspections and certifications. The location map should have sufficient detail to show the approximate boundaries and the relationship of the site to any roads, existing structures or other landmarks.

- Applicants who already own the property must submit evidence of ownership as described in Paragraph 5.11, a legal description, a property survey showing all structures on the site, and directions to the property.

B. Evaluation of the Property

Within 7 days of submission by the applicant, the Loan Originator must visit the property to do a preliminary evaluation of the property to determine whether, with any planned construction or rehabilitation, it will meet the Agency's site, dwelling or environmental requirements, as described in Chapter 5. If the property appears to be acceptable, the Loan Originator requests an appraisal of the property. If the property is not acceptable, the Loan Originator must notify the applicant and provide a new *Form RD 1944-59, Certificate of Eligibility*.

7.19 FUNDS AVAILABLE FOR CLOSING

If the applicant must pay for closing costs that cannot be financed, or plans to make a down payment to reduce the loan amount, the Loan Originator must review *Form RD 1944-62, Request for Verification of Deposit* to ensure that the applicant has sufficient funds to pay the required costs, or can demonstrate that the funds will be available before closing. If additional funds are to be received from an outside source, the Loan Originator must ensure that the applicant has completed *Form RD 3550-2, Request for Verification of Gift/Gift Letter* to certify that the additional funds will not need to be repaid.

7.20 CALCULATING THE APPROVABLE LOAN AMOUNT

Once the Loan Originator verifies and enters all applicable applicant information and receives the appraisal, the UniFi can be used to determine whether the applicant appears to qualify for the needed loan amount, and if not, determine whether there are ways to make the loan feasible.

A. Calculating the Approvable Loan at Standard Terms

Once the required information is entered, the worksheet automatically computes the PITI and TD ratios, determines whether the applicant is eligible for a payment subsidy and the amount, and determines whether the applicant can afford the selected property using standard loan terms. If UniFi indicates that the loan can be approved, the Loan Originator should prepare the loan approval package, as described in Paragraph 7.21 A.

B. Working with Applicants Who Do Not Qualify Using Standard Terms

If the applicant cannot be approved for a loan using standard terms, the Loan Originator should determine whether any of the adjustments described below are possible. If any of the adjustments make the loan feasible, the Loan Originator should prepare the loan approval package, as described in Paragraph 7.21 A.

1. Possible Applicant Actions To Make A Loan Feasible

The Loan Originator should discuss with the applicant options for enhancing their ability to obtain Agency financing including: (1) identifying additional parties to the note; (2) seeking down payment assistance or other assistance programs to supplement the Agency loan; (3) providing an additional cash down payment to reduce the principal amount of the loan; (4) seeking a less expensive dwelling; or (5) obtaining leverage funds with terms more favorable than available from the Agency.

2. Possible Agency Actions to Make A Loan Feasible

The Loan Originator should first consider any compensating factors, as described in Paragraph 7.16 A., that have not yet been considered. The Loan Originator should then recompute the loan using a 38 year term provided the applicant's income qualifies for a 38 year loan. If the loan still is not feasible, the loan may be recommitted at a reduced EIR if the applicant is eligible, as described in Paragraph 7.12 D.

In the case of a subsequent loan, the Agency may authorize reamortization of the initial loan of the borrower cannot reasonably be expected to meet installment payments unless the account is reamortized. The Loan Originator should consult with CSC to determine whether reamortization is appropriate.

7.21 APPROVING OR DENYING CREDIT

The results of the underwriting analysis are summarized on UniFi's Maximum Loan Amount/Payment Assistance Information worksheet. This sheet can be used in discussions with applicants, and ***must*** be placed in the case file to document the results of the analysis.

A. Preparing the Loan Approval Package

If the results of the analysis indicate that the applicant's loan is feasible, the Loan Originator should recommend that it be approved. Before forwarding the case file, the Loan Originator should review it to ensure that all documentation required for approval, as listed in Attachment 7-A, is included. The Loan Originator also should reconfirm that the documentation in the case file demonstrates that:

- The applicant is eligible, as described in Chapter 4;
- The property is eligible, as described in Chapter 5; and
- The loan is feasible at approvable loan terms, as described in this chapter.

When the case file is complete, the Loan Originator forwards the case file to the Loan Approval Official for review and approval.

B. Notifying Applicants Who Are Denied Credit

If the Loan Originator determines that a loan cannot be approved, *Form RD 3550-3, Notification and Statement of Reasons for Credit Denial, Termination or Change* should be sent to the applicant. The form explains why the loan is not approvable. One of the attachments to Chapter 1 should be attached to provide the applicable review, mediation, and appeal rights.

ATTACHMENT 7-A

DOCUMENTATION REQUIRED PRIOR TO APPROVING A LOAN

APPLICANT ELIGIBILITY

APPLICATION

RD 410-4, Uniform Residential Loan Application
RD 3550-1, Authorization to Release Information
RD 1944-12, Rural Housing Loan Application Package (if applicable)

SETTLEMENT INFORMATION

RD 1940-41, Truth in Lending Statement
RD 440-58, Estimate of Settlement Costs

INCOME

RD 1910-5, Request for Verification of Employment
Oral Reverifications (if applicable)
RD 1944-62, Request for Verification of Deposit
RD 3550-2, Request for Verification of Gift/Gift Letter
RD 3550-4, Employment Certification/Payment Assistance
Documentation, Income Tax Return
Documentation, Documentation of Other Income (verification of assets deposited, public assistance, child support payments, unemployment benefits, pensions and annuities, Social Security award or benefit letter, copies of year end statement for mutual funds or 401K)
Documentation, Documentation of Deductions (child care expenses, medical expenses, educational assistance expense, full-time student status)
RD 1944-4, Certification of Disability or Handicap (if applicable)
Documentation, Separation Agreement (if applicable)
Documentation, Divorce Decree (if applicable)

CREDIT HISTORY

Documentation, Infile Credit Report and CAIVRS
Documentation, Residential Mortgage Credit Report (RMCR)
RD 410-8, Applicant Reference Letter (if applicable)
RD 1944-60, Landlord's Verification
RD 1944-61, Credit History Worksheet

OTHER REQUIREMENTS

Documentation, Evidence of Alien Status (if applicable)
Checked Debarment List

PROPERTY ELIGIBILITY

PROPERTY INFORMATION

Sales Contract or *RD 440-34, Option to Purchase Real Property*
Metes and Bounds Description
Plot Plan (new construction and major rehabilitation only)
Map to Locate Property and Comparables

ENVIRONMENTAL INFORMATION

RD 1940-22, Environmental Checklist for Categorical Exclusions
FEMA Form 81-93, Standard Flood Hazard Determination
RD 1940-21, Environmental Assessment for Class I Action (as appropriate)

APPRAISAL INFORMATION

RD 1922-8, Uniform Residential Appraisal Report
Form 1007, Marshall and Swift Square Foot Appraisal Form (required only if comparables are not strong)
RD 1922-15, Administrative Appraisal Review for Single Family Housing

CERTIFICATES (for existing housing and already-existing new construction not covered by a 10-year warranty)

Termite Inspection Certificate
Thermal Certification
Plumbing/Water/ Sewage Certification
Electrical Heating/Cooling Certification

EXISTING HOUSING

Documentation of Inspection
Contractor's Estimate or Bid (if applicable)

NEW CONSTRUCTION OR REHABILITATION

Drawings and Specifications (for new construction must have *RD 1924-25, Plan Certification*)
RD 1924-2, Description of Materials
RD 1924-19, Builder's Warranty or Insured 10-Year Home Warranty

ATTACHMENT 7-B

STATE DIRECTOR EXCEPTION(S) TO
HUD 203(B) MAXIMUM MORTGAGE LIMITS (MML)

STATE: ____________________________ DATE: _______________

Date of Request	Name/ Case Number	$ Amount of Request over MML	Reason for Exceeding MML ($ Amt) Closing Costs	Cost(s) Associated w/Purchase or Construction	SD Action Appr'd	Denied	Date HUD Contacted
		$	$	$			
		$	$	$			
		$	$	$			
		$	$	$			
		$	$	$			
		$	$	$			
		$	$	$			
		$	$	$			
		$	$	$			
		$	$	$			
		$	$	$			
		$	$	$			
		$	$	$			
		$	$	$			
		$	$	$			
		$	$	$			